

**TERMS OF REFERENCE
LEGAL SERVICES
DORJILUNG HYDROELECTRICAL POWER PROJECT
IN BHUTAN**

1. A legal advisor (the “**Advisor**”) is to be engaged in relation to the Dorjilung Hydroelectrical Power Project (“**DHPP**”, or the “**Project**”):
- (i) by Druk Green Power Corporation Limited (“**DGPC**”), Bhutan’s state-owned enterprise charged with hydropower development and operation, for Phase 1 of the engagement; and
 - (ii) by the DHPP project company for Phase 2 of the engagement (*subject to agreement between DGPC and partner in company*).

The Advisor will perform the scope of work outlined in these Terms of Reference.

I. Background

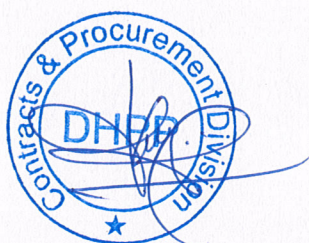
2. Bhutan’s hydropower export market has been historically defined by joint hydropower development and trading arrangements with India. These have essentially relied on public financial assistance through a Government-to-Government (G-to-G) model. However, limited public financing has prompted Bhutan to begin exploring alternative project-development models, particularly Public-Private Partnerships (PPP). Bhutan aims to tap into its largely unutilized hydropower potential with a portfolio of new projects planned to increase its installed capacity from 1,164 to 6,641 megawatts (MW) by 2032.
3. The Project, a key priority for Bhutan under that portfolio of new projects, represents its first large-scale hydropower development under a PPP structure. The PPP will take the form of a joint venture between DGPC, acting as the public partner, and Tata Power, India’s largest integrated power company, acting as the private partner (together, the “**Sponsors**”).

(a) Project

4. The Project comprises the construction and operation of the first gigawatt-scale hydropower plant in Bhutan and will be located on the right bank of Kurichhu River in Mongar district in the eastern part of the country, close to the border with China and India. It will have a capacity of 1,125 MW and is expected to generate 4,504 gigawatt-hours of renewable energy annually and allow for 12.62 million m³ of live storage, enabling peaking operation of up to eight hours.
5. DGPC and Tata Power will establish a special-purpose vehicle (SPV) / company (“**DHPP SPV**”, the “**Company**”, or the “**Seller**”) for implementation of the Project. DGPC will hold a 60% stake in the SPV, while Tata Power will hold a 40% stake and will play a key role in construction as well as management. Dorjilung power will be exported to India through the trading arm of Tata Power (with a small portion being made available to the Bhutanese utility on a grant basis).

(b) Financing

6. The total estimated Project cost is \$1.7 billion. Proposed World Bank support for the Project will take the form of \$500 million in financing, consisting of a \$300-million International Development Association (IDA) financing (combination of grant and credit) and a \$200-million International Bank for Reconstruction and Development (IBRD) “enclave” loan. International Finance Corporation (IFC) is expected



to provide the Company non-concessional debt for IFC's own account (\$200m) as well as arrange such debt from other participants (\$300m). Part of the balance of the Project cost will be funded through equity financing from Tata Power (\$200m). Finally, the Company will raise other non-concessional debt from the Indian market (\$500 million).

II. Scope of Work

7. The Advisor will advise and represent DGPC / the Project Company in the preparation / updating and negotiation of (i) commercial documents for purposes of commercial close of the Project and (ii) financing documents for purposes of financial close of the Project.

III. Assignment

Preparation

8. The Advisor will be required to coordinate with the World Bank's legal advisor engaged for due diligence on the Bhutanese legal framework for PPP-based hydropower projects and development of model commercial agreements for such projects using Dorjilung as a test case with a view to building upon the work carried out by that advisor under this assignment.

Phase 1

9. **Drafting, Review, and Negotiation of Shareholders' Agreement.** The Advisor will draft / update, advise DGPC on, and negotiate the Investment cum Shareholders' Agreement between DGPC and Tata Power.

10. **Preparation for Phase 2.** The Advisor will advise DGPC on the documents listed below in preparation for Phase 2 of the engagement.

- (i) the Concession Agreement between the Company and the Royal Government of Bhutan (RGOB) (the "**Concession Agreement**")
- (ii) the export Power Purchase Agreement (PPA) between the Company and Tata Power Trading Company Limited (the "**Buyer**") (the "**Export PPA**")

Phase 2 (subject to agreement with Tata Power)

11. **Drafting, Review, and Negotiation of Project Documents.** The Advisor will draft / update, advise the Company on, and negotiate the project documents listed below (the "**Project Documents**").

- (i) the Concession Agreement
- (ii) the Export PPA
- (iii) engineering, procurement and construction contracts
- (iv) operation and maintenance agreements
- (v) land lease or acquisition agreements
- (vi) water use agreements
- (vii) grid connection and transmission agreements

12. **Closing Management.** Management of commercial close.



13. **Support for Financing Commitment Process.** The Advisor will draft and review the legal aspects of the information memorandum and other materials to be used in discussions with potential lenders and assist, together with the Financial Advisor, in preparing the request for proposal document, preliminary term sheets, forms of commitment letters, and other documents for circulation to potential lenders.

14. **Drafting, Review, and Negotiation of Financing Documents.** The Advisor will draft / review, advise on, and negotiate the financing documents listed below (the “*Financing Documents*”).

- (i) debt facility term sheets and agreements
- (ii) intercreditor agreements (as required)
- (iii) account bank documentation
- (iv) Common Terms Agreement (where applicable)
- (v) Subordination Agreements (where applicable)
- (vi) security instruments and sponsor support documents (e.g., equity commitments, guarantees and indemnities, performance bonds, pledges, mortgages and charges, assignments, and direct agreements)
- (vii) any other agreements ancillary to the project finance agreements

15. **Closing Management**

- (i) Drafting and updating of the closing checklist for the Financing Documents, including analysis of status of closing conditions.
- (ii) Drafting, review, and negotiation of legal opinions and miscellaneous customary closing certificates and documents.
- (iii) Management of financial close.

Both Phases

16. **Coordination with Local Counsel.** The Advisor will coordinate closely with local counsel to ensure that all applicable legal requirements are met. The Advisor will review and integrate advice from local counsel into the overall legal strategy, ensuring consistency and alignment with DGPC's / the Company's objectives.

17. **Stakeholder Engagement.** The Advisor will interface and engage with all internal and external stakeholders and advisors, including sponsors / shareholders, strategic investors, JV partners, lenders (commercial, concessional, export credit agencies), government agencies and regulatory bodies, contractual counterparties (contractors, offtakers, insurers, lessors, developers), and technical, insurance, environmental, social, and legal advisors, as needed.

18. **Additional Services.** The Advisor will provide any other services reasonably expected of a law firm acting as legal advisor to the sponsors / borrowers in a project financing of this nature.

19. **Instructions.** Instructions will be given exclusively by DGPC's / the Company's in-house counsel assigned to this Project, and the Advisor will be expected to liaise with such counsel on all matters pertaining to this assignment, including billing and timing of delivery of services in accordance with the anticipated commercial close and financial close dates.



